



DELBERT HOSEMAN
Secretary of State

Q & A on Morgan Keegan

Question:

What action has the Secretary of State's Office taken against Morgan Keegan?

Answer:

On April 7, 2010, our Office filed an administrative action against Morgan Keegan & Company, Morgan Asset Management and certain corporate officials requesting the revocation of both companies to do business in the State of Mississippi and the imposition of an administrative penalty. On Tuesday, June 21, 2011, the Secretary of State's Office reached a settlement agreement with Morgan Keegan, Morgan Asset Management, and one of their employees, James Kelsoe.

A copy of both documents may be found at www.sos.ms.gov/MorganKeegan.

Actions against Gary Stringer, Brian Sullivan and Michelle Wood are still pending. As part of the settlement agreement, Morgan Keegan and Morgan Asset Management must cooperate fully with these proceedings. A hearing date has been set for August 5, 2011. Cliff Hodge will act as Administrative Hearing Officer in these cases.

Question:

Why did the Secretary of State's Office bring an administrative action against Morgan Keegan & Company and Morgan Asset Management?

Answer:

The Secretary of State is the administrator of securities for the State of Mississippi. As the administrator, we are charged with the responsibility of registering broker-dealers and investment advisers in the State and making sure that they comply with the Mississippi Securities Act. Morgan Keegan & Company is a broker-dealer registered with the agency. Morgan Asset Management is an investment advisor filed with the agency. Our agency has initiated administrative action against both companies because we believe they have failed to conduct their businesses as required by State law.

The specific allegations include:

- Made material omissions and misrepresentations in marketing materials,
- Made material omissions and misrepresentations in regulatory filings,
- Withheld information from and misrepresented information concerning the funds to the Morgan Keegan Sales force,
- Provided preferential treatment to certain customers,
- Failed to make suitable recommendations concerning purchase and concentration of the funds in customer accounts,
- Failed to adequately supervise their employees, and
- Obstructed the due diligence process.

Question:

Why did the Secretary of State's Office file the administrative action jointly with the states of Alabama, South Carolina, and Kentucky?

Answer:

All state security regulators are members of the North American Securities Administrators Association. Because of this relationship state regulators often collaborate on investigations and examinations. In 2009, the Mississippi legislature passed a new Securities Act which formally authorized this multi-state cooperation and collaboration. It specifically authorizes our Office to join other states and combine forces when the states are investigating and prosecuting the same entities. This allows state regulators to combine forces and share resources and talent. It also streamlines the process for the entities being investigated and prosecuted. Instead of responding to duplicative state investigations, they can respond to one combined investigation. Further, they can resolve any allegations of violations of state securities laws in one proceeding.

Question:

How many customers are affected?

Answer:

The particular mutual funds at issue lost over \$1 billion dollars from March 31, 2007 to March 31, 2008, affecting approximately 39,500 customers across the country.

Question:

How many Mississippi investors were involved?

Answer:

Approximately 2,055 Mississippi investors lost approximately \$71 Million dollars in six of the seven funds.

Question:

How many Morgan Keegan branches operate in Mississippi?

Answer:

The Mississippi Secretary of State's Office does not register individual brokerage firm branches. However, according to the Central Records Depository, maintained by Financial Industry Regulatory Authority (FINRA), Mississippi branch offices, most of which are located in Regions Bank locations, include:

Bay St. Louis
Columbus
Greenwood
Grenada
Gulfport
Hattiesburg
Jackson (Main Office)
Laurel
McComb
Meridian
Natchez
Oxford
Starkville
Tupelo

Question:

Were any Mississippians involved in the action brought against Morgan Keegan and Morgan Asset Management?

Answer:

No. In the course of the investigation, the Secretary of State's Office found no evidence or indication of any direct involvement by Mississippi offices, brokers, agents, or employees of Morgan Keegan.

Question:

Will Morgan Keegan customers recover their lost investments?

Answer:

Because we are in the initial stages of the settlement agreement, our Agency is working with the Securities Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and other states in the Joint Task Force (Alabama, Kentucky, South Carolina, Tennessee) to determine the allocation to investors. As soon as the allocations are identified, investors will be contacted by our Agency regarding the next course of action. Investors may also email the Secretary of State's office at investor@sos.ms.gov with any questions they may have in the interim.

Question:

Can Morgan Keegan and Morgan Asset Management continue to operate?

Answer:

Yes, both companies are allowed to operate with some limitations over the next two years.

Question:

Should I seek my own attorney?

Answer:

This settlement does NOT affect any other claims an investor may have against these companies or individuals. The settlement agreement only represents a settlement by the State of Mississippi to provide partial restitution to investors. Investors may still pursue legal recourse against Morgan Keegan, Morgan Asset Management, and the individuals involved in the action.

Question:

If I am an investor, where do I go to find more information?

Answer:

Investors may visit our website at www.sos.ms.gov/MorganKeegan for more information. They may also email the Securities and Charities Division of the Secretary of State's Office at investor@sos.ms.gov for response.



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